IOI Properties Group (IOIPG MK)

Still Scope For Further Re-rating

	BUY (Maintained)
Share Price	RM3.06
Target Price	RM3.50
Upside	14.4%
Previous TP	RM3.00

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Highlights

- Tepid take-up of W Residences at Marina View should gradually improve on: a) potential re-strategising of products, b) the narrowing price gap with prices of nearby launches, and c) revision of ABSD for foreign buyers, if any.
- Nevertheless, IOICB's maiden earnings contribution in 2QFY26 should offset the carrying cost of W Residences Marina View's launches in Oct 25, supported by a falling SORA.
- Maintain BUY with higher target price of RM3.50 as we narrow our discount to RNAV to 30%, to reflect the potential valuation uplift from the REIT listing, with peers are trading at 1.5x FY26F P/B (vs the group's current 0.7x).

Analysis

- **IOICB's earnings visibility offsets W Residences Marina View carrying costs.** As at end-Nov 25, IOI Central Boulevard Towers' (IOICB) actual and committed occupancy rate had reached 70% and 95% respectively. IOICB is well on track to start contributing from 2QFY26, with around RM15m earnings contribution, based on these assumptions: a) 73% occupancy rate, b) S$13psf monthly rental, c) 60% NPI margin, and d) 2.3% interest rate. This should offset the interest cost associated with W Residences Marina View, whereby 100 units were launched in Oct 25.
- Once fully ramped up at 100% actual occupancy, IOICB could contribute up to RM145m in annual earnings. This should more than offset the estimated RM105m carrying cost of W Residences Marina View, assuming full launch of all 683 units and stable funding costs. While total borrowings may be higher as launches are phased, we expect funding requirements to remain manageable.
- **W Residences Marina View's potential ABSD clawback is less likely to result in a one-off expense.** Our base case assumes a one-year extension of the Additional Buyer's Stamp Duty (ABSD) remission timeline for W Residences Marina View, currently due in Sep 26 (1QFY27). While an ABSD clawback amounting to S$275m (25% of the residential land cost portion of S$1.1b) remains possible after the extension, we understand that any such clawback is less likely to be a one-off expense. Even under a bear-case scenario, any cash outflow would broadly coincide with the group's planned S$7b-8b Singapore REIT listing in 2027, with the proceeds materially reducing group gearing.

Key Financials

Year to 30 Jun (RMm)	FY24	FY25	FY26F	FY27F	FY28F
Net turnover	2,939.7	3,062.2	4,156.5	4,393.6	4,442.3
EBITDA	2,334.2	1,847.1	1,541.1	1,707.9	1,809.4
Operating profit	2,224.2	1,724.5	1,418.6	1,542.5	1,608.3
Net profit (rep./act.)	2,061.8	1,064.0	689.2	804.4	855.2
Net profit (adj.)	698.1	386.9	689.2	804.4	855.2
EPS (sen)	12.7	7.0	12.5	14.6	15.5
PE (x)	24.1	43.6	24.4	20.9	19.7
P/B (x)	0.7	0.7	0.7	0.7	0.7
EV/EBITDA (x)	14.4	18.3	24.7	22.4	21.1
Dividend yield (%)	1.6	2.6	2.6	2.6	2.6
Net margin (%)	23.7	12.6	16.6	18.3	19.3
Net debt/(cash) to equity (%)	69.4	69.5	85.8	85.4	83.5
Interest cover (x)	117.4	4.1	2.8	2.8	3.0
ROE (%)	2.9	1.6	2.8	3.2	3.4
Consensus net profit			680.9	763.3	946.3
UOBKH/Consensus (x)			1.0	1.1	0.9

Source: IOIPG, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Real Estate
Bloomberg ticker:	IOIPG MK
Shares issued (m):	5,506.1
Market cap (RMm):	16,848.8
Market cap (US$m):	4,205.7
3-mth avg daily t'over (US$m):	4.2

Price Performance (%)

52-week high/low				RM3.11/RM1.63
1mth	3mth	6mth	1yr	YTD
15.0	45.0	39.1	42.3	15.9

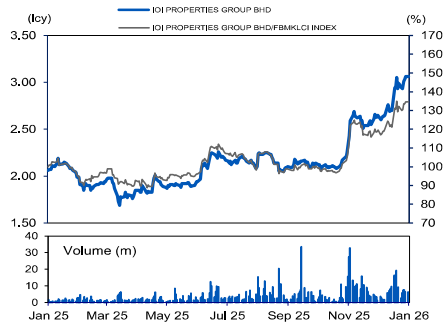
Major Shareholders

	%
Vertical Capacity	65.7
Employees Provident Fund	6.2

Balance Sheet Metrics

	%
FY26 NAV/Share (RM)	4.59
FY26 Net Debt/Share (RM)	3.92

Price Chart



Source: Bloomberg

Company Description

A property developer with a business portfolio encompassing leisure and hospitality, in addition to property development and property investment.

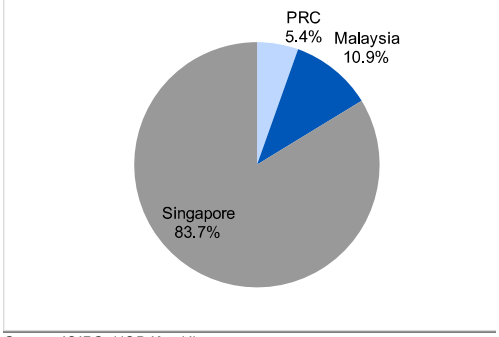
- **Tepid take-up in W Residences Marina View mainly due to affordability.** Take-up rate for W Residences Marina View remained soft, with five units sold (S$22.6b) and five units under booking as of Jan 26. This implies a take-up rate of 5% out of the initial 100 units launched in Oct 25. Based on channel checks, the reason for the slow take-up is due to affordability. Despite the starting price of S$3,230psf being broadly in line with emerging core central region (CCR) benchmarks, the entry unit built-up price of S$1.78m for a 538sqft one-bedroom unit appears higher than that of nearby launches, such as One Marina Gardens (S$1.2m) and Union Square Residences (S$1.4m), which currently have a take-up of 60% and 37% after its launch in early-25/late-24.
- **What could support take-up?** Key factors that could support W Residences Marina View's sales momentum include: a) a narrowing price gap as CCR new-launch prices trend towards $3,500psf into 2026, and b) the possibility of re-strategising pricing and unit mix. Separately, any fine-tuning of ABSD for foreign buyers will be positive for sales. Industry wish lists ahead of the upcoming Singapore Budget 2026 have included proposals to recalibrate ABSD, such as restoring ABSD to 30% for foreign non-PR buyers for ultra-luxury CCR homes (priced at least S$10m), coupled with a longer seller's stamp duty (SSD) holding period and a higher SSD for disposals within the holding period.
- **IOIPG to further re-rate on Malaysia REIT-listing.** Following the share price appreciation by 16% ytd ahead of the planned Malaysia REIT listing targeted in Jun 26, we assess the incremental valuation upside by using a SOTP framework. We estimate a further upside of 9-16% upside to the share price, underpinned by continued yield compression among prime REIT players in Malaysia. Our calculation assumes an asset value of RM7b, a target valuation of 1.5x PB for the REIT, broadly in line with peers owning prime retail assets, and a retained stake of 60-70%. After the listing, net gearing could improve to 0.91x-0.94x from 0.97x as of end-1QFY26, while implied FY26F P/B is higher at 0.9x from 0.7x.

Target Price Scenarios Based On Sotp Valuation Approach

Malaysia REIT assets (RMb)	7.0		
Target P/B (x)	1.5		
Market cap (RMb)	10.5		
Property RNAV (RMm)	2,801		
Shareholders' Funds (RMm)	17,429		
Total (RMm)	20,230		
Discount applied	40%		
Discounted equity value (RMm)	**12,138**		
Segment	**--- Equity Value (RMm) ---**		**Remarks**
1) IOIPG ex Malaysia REIT	12,138	12,138	40% discount to property development RNAV and book value post-Malaysia REIT listing
IOIPG's retained shareholding in REIT	60%	70%	
2) Malaysia REIT	6,300	7,350	60%/70% of market valuation of RM10.5b
Total SOTP value	**18,438**	**19,488**	
Existing sharebase (mil)	5,506	5,506	
SOTP per share (RM)	3.35	3.54	
Upside to share price of RM3.06	9%	16%	

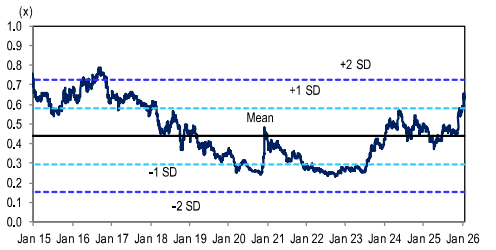
Source: IOIPG, UOB Kay Hian

Borrowings Position Mix As Of End-Sep 25



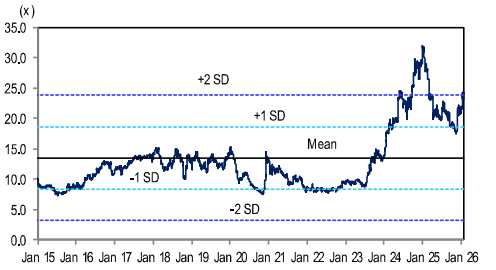
Source: IOIPG, UOB Kay Hian

12-Month Forward P/B Band



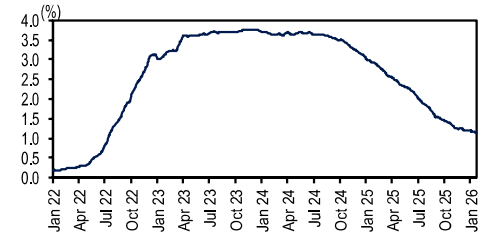
Source: IOIPG, UOB Kay Hian

12-Month Forward P/E Band



Source: IOIPG, UOB Kay Hian

3-Month SORA



Source: IOIPG, UOB Kay Hian

Net Gearing And P/B Impact To Group Post Malaysia Reit Listing

	based on 60% stake	based on 70% stake
	1Q26	1Q26
Total borrowings (RMm)	25,800	25,800
Cash (RMm)	1,963	1,963
Shareholders Equity (RMm)	24,629	24,629
Net gearing (x)	0.97	0.97
Post REIT		
Total borrowings (RMm)	25,732	25,732
Cash (RMm)	6,163	5,113
Shareholders Equity (RMm)	21,409	22,039
Net gearing	0.91	0.94
Implied PB	0.86	0.84

Source: IOIPG, UOB Kay Hian

RNAV Target Price Of Rm3.50/Share

NPV of Development Profits	(RMm)
Malaysia	
Central Region	1,668
Southern Region	504
Singapore	
Marina View	466
JV projects	122
China	
IOI Palm	40
Total	**2,801**
Shareholders' Funds	24,429
RNAV	**27,230**
Existing Sharebase	5,506
RNAV/share (RM)	4.95
Discount	30%
Target Price (RM/share)	**3.50**

Source: IOIPG, UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY and raise our target price to RM3.50 (from RM3.00),** as we narrow our discount to RNAV from 40% to 30%, to factor in the impending valuation uplift from the REIT listing. Our target price implies 0.8x FY26F P/B (+2SD to 10-year mean: 0.4x) and 28.0x FY26F PE, which we deem fair given our 30.2% three-year earnings CAGR forecast during FY25-28F. IOIPG is well-positioned to capitalise on the falling interest rates in Singapore, given its high gearing level after the stake acquisition in the South Beach Development. The group also has two REIT listings underway (in Malaysia and Singapore), which will help improve its balance sheet over time.

Earnings Revision/Risk

- No earnings revision.

Environmental, Social, Governance (ESG)

- Environment: Targets to reduce Scope 2 emissions intensity within the property investment operations by 15% by 2025 and 18% by 2028, using FY2021 as the baseline.
- Social: Committed to promoting local procurement within its supply chain.
- Governance: Achieved 33% of women representation among the Board of Directors.

Profit & Loss

Year to 30 Jun (RMm)	FY25	FY26F	FY27F	FY28F
Net turnover	**3,062.2**	**4,156.5**	**4,393.6**	**4,442.3**
EBITDA	1,847.1	1,541.1	1,707.9	1,809.4
Deprec. & amort.	122.5	122.5	165.4	201.1
EBIT	**1,724.5**	**1,418.6**	**1,542.5**	**1,608.3**
Associate contributions	109.1	114.6	114.6	114.6
Net interest income/(expense)	(379.2)	(467.7)	(489.1)	(478.0)
Pre-tax profit	**1,454.4**	**1,065.5**	**1,168.0**	**1,244.9**
Tax	(385.0)	(370.8)	(358.2)	(384.3)
Minorities	(5.4)	(5.4)	(5.4)	(5.4)
Net profit	**1,064.0**	**689.2**	**804.4**	**855.2**
Net profit (adj.)	386.9	689.2	804.4	855.2

Balance Sheet

Year to 30 Jun (RMm)	FY25	FY26F	FY27F	FY28F
Fixed assets	10,083.6	12,440.1	12,474.7	12,473.7
Other LT assets	26,032.4	28,526.1	28,740.7	28,955.3
Cash/ST investment	2,485.6	3,617.4	3,196.5	3,133.0
Other current assets	8,313.8	7,749.2	8,174.7	8,262.0
Total assets	**46,915.3**	**52,332.8**	**52,586.6**	**52,824.0**
ST debt	2,663.4	2,663.4	2,663.4	2,663.4
Other current liabilities	1,831.2	1,615.4	1,699.8	1,717.2
LT debt	16,926.3	22,305.4	22,105.4	21,905.4
Other LT liabilities	972.4	972.4	972.4	972.4
Shareholders' equity	24,428.8	24,677.5	25,041.5	25,456.2
Minority interest	93.3	98.7	104.1	109.5
Total liabilities & equity	**46,915.3**	**52,332.8**	**52,586.6**	**52,824.0**

Cash Flow

Year to 30 Jun (RMm)	FY25	FY26F	FY27F	FY28I
Operating Cashflows	**1,060.1**	**1,051.4**	**519.6**	**877.(**
Pre-tax Profit	1,454.4	1,065.5	1,168.0	1,244.9
Tax	(385.0)	(370.8)	(358.2)	(384.3)
Deprec. & amort.	122.5	122.5	165.4	201.1
Associates	109.1	114.6	114.6	114.6
Working Capital Changes	126.6	348.8	(341.0)	(70.0)
Others	(367.6)	(229.2)	(229.2)	(229.2)
Cash from Investing Activities	**(833.3)**	**(2,479.1)**	**(200.0)**	**(200.0)**
Capex (Growth)	(1,236.6)	(2,479.1)	(200.0)	(200.0)
Capex (maintenance)	0.0	0.0	0.0	0.(
Others	403.4	0.0	0.0	0.(
Cash from Financing Activities	**85.7**	**2,559.5**	**(740.5)**	**(740.5)**
Dividend Payments	(440.5)	(440.5)	(440.5)	(440.5)
Issue of Shares	0.0	0.0	0.0	0.(
Net drawdown/(repayment) of Borrowings	1,274.6	3,000.0	(300.0)	(300.0)
Others	(748.3)	0.0	0.0	0.(
Net Increase/(Decrease) in Cash	**312.6**	**1,131.8**	**(420.9)**	**(63.5)**
Beginning Cash	**2,223.6**	**2,485.6**	**3,617.4**	**3,196.5**
Changes Due to Forex Impact	(50.6)	0.0	0.0	0.(
End Cash	**2,485.6**	**3,617.4**	**3,196.5**	**3,133.(**

Key Metrics

Year to 30 Jun (%)	FY25	FY26F	FY27F	FY28F
Profitability				
EBITDA margin	60.3	37.1	38.9	40.7
Pre-tax margin	47.5	25.6	26.6	28.0
Net margin	12.6	16.6	18.3	19.3
ROA	1.0	1.6	1.9	2.0
ROE	1.8	3.1	3.6	3.8
Growth				
Turnover	4.2	35.7	5.7	1.1
Net profit (adj.)	(44.6)	78.2	16.7	6.3
Leverage				
Debt to total capital	44.5	50.3	49.7	49.1
Debt to equity	79.6	100.4	98.1	95.7
Net debt/(cash) to equity	69.5	85.8	85.4	83.5
Interest cover (x)	4.1	2.8	2.8	3.0

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